



# **Washington State License Suspension Program: October 2001 – September 2002**

## **A Report to the Legislature**

*as required by  
RCW 74.20A.340*

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**Report to the Legislature**

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## Executive Summary

### License Suspension Program

- In 1997, the Washington State Legislature authorized the Department of Social and Health Services (DSHS), through the Division of Child Support (DCS), to develop and implement a license suspension program. The program targets noncustodial parents who are more than six months delinquent in their child support obligation.
- Chapter 58, Laws of 1997 PV (RCW 74.20A.340(1)) authorized DCS to suspend licenses that noncustodial parents receive from various agencies including Department of Licensing (DOL), Labor & Industries (L&I), and Department of Health (DOH). There are currently 286,575 noncustodial parents in the DCS caseload who hold valid licenses.
- License suspension is an enforcement tool of last resort. Before DCS pursues suspension of an obligated parent's license, we exhaust all other collection remedies. DCS does not use license suspension as a punitive measure, but as a way to encourage noncustodial parents to negotiate payment agreements on their child support obligations. License suspension has proven to be a very effective tool, especially for self-employed noncustodial parents or those who do not earn wages reported through Employment Security.

### DCS License Suspension Actions

- From October 2001 through September 2002, DCS mailed 21,065 **License Suspension Warning Letters**, served 29,081 **Notices of Noncompliance and Intent to Suspend Licenses**, requested 15,632 **License Suspension Certifications**, and requested 9,208 **License Suspension Cancellations**.
- At any point during a license suspension action, a noncustodial parent may start payment negotiations with DCS and stop the license suspension process. Requesting a modification of a child support order or requesting an administrative hearing will delay license suspension action for up to six months.

## Budget

- The estimated cost of the License Suspension Program, for the period October 2001 through September 2002, was \$184,000. This estimate includes the salaries of the license suspension coordinator, programmers, an analyst, and the expense of mailing warning letters and notices to delinquent noncustodial parents.

## Successes

- For the reporting period, DCS received over \$48.5 million in voluntary payments as a result of the license suspension program. This figure includes over \$33 million received after DCS served a **Notice of Noncompliance and Intent to Suspend Licenses**. The remaining \$15.5 million was in response to the initial license suspension warning letter.
- Department of Licensing (DOL) statistics, for the period from October 2001 through September 2002, show that DCS suspended 15,301 driver's licenses and cancelled the suspension of 8,984 driver's licenses. DCS releases the suspension of a noncustodial parent's license after negotiating a repayment agreement. The effectiveness of this program is especially significant because the process of license suspension increases collections on cases in which the noncustodial parent is not employed in the traditional job market, and therefore is not subject to wage withholding.
- To determine the effectiveness of the license suspension program, DCS studied collections before and after license suspension activity for four one-month periods: March 1998, March 1999, May 1999, and May 2000. In each period, DCS examined the amount of support collected on cases where DCS initiated a license suspension action. DCS compared collections on each case for six months before and six months after the license suspension activity. During the four periods combined, collections increased more than 300% on the cases against which DCS took a license suspension action.
- Reporting year 2002 saw a significant increase in the number of cases that received payments as a result of the license suspension program. 78,138 cases received license suspension related payments in 2002. In contrast 63,666 cases received payments in 2001. There was also a gratifying and unprecedented increase in the percentage of cases where licenses were reinstated after being suspended. Reinstatement indicates compliance with a child support order. 58.9% of suspended licenses were reinstated in 2002. The highest previous mark was 47.8%.

## **Background**

The Washington State Legislature authorized the Department of Social and Health Services (DSHS), through the Division of Child Support (DCS), to suspend the licenses of noncustodial parents who fail to meet their child support obligations.

The mission of DCS is to improve the lives of children and benefit families and taxpayers by providing quality child support services in a fair and fiscally responsible manner. The License Suspension Program is one of many ways that DCS accomplishes its mission.

DCS uses many tools to collect child support obligations established through court or administrative orders. Wherever possible, DCS collects delinquent support through payroll deduction. However, DCS does not have this option for the self-employed noncustodial parent. Some self-employed individuals freely pay child support, but many do not. License suspension is particularly effective in these cases.

Before DCS can suspend a noncustodial parent's license, the noncustodial parent must be more than six months in arrears and DCS must have exhausted all other administratively available collection remedies. DCS may not suspend the license of an individual who receives any type of public assistance, who actively pursues modification of the child support order, or who requests a hearing.

## **Program Goals and Objectives**

The goal of the license suspension program is to convert non-paying parents into paying parents by negotiating long-term payment plans. The program is an effective means of establishing communication with a non-paying noncustodial parent in order to negotiate payment of a child support obligation. DCS requests license suspension of noncustodial parents who appear to have the ability to pay but for whom other administrative collection remedies are unavailable.

The license suspension process allows the noncustodial parent ample time to contact DCS to negotiate fair and reasonable payments with his or her Support Enforcement Officer. The Support Enforcement Officer has latitude in negotiating with the noncustodial parent. Officers consider each parent's unique circumstances during negotiations.

## DCS License Suspension Program

The license suspension program has five distinct phases:

- Phase 1      DCS automatically sends a License Suspension Warning Letter to noncustodial parents living in Washington State who have not made a child support payment in the last sixty days and who owe more than \$1,000. Staff may also generate these letters to noncustodial parents who are close to meeting license suspension program criteria in the hope that they will contact DCS to negotiate payments. The letter warns the noncustodial parent that DCS can request a licensing agency to suspend a license and the letter encourages the noncustodial parent to contact DCS.
- DCS has mailed 158,311 warning letters from July 1997, when the program began, through September 2002. Of that total, DCS generated 21,065 during the reporting period of October 2001 through September 2002. DCS sent the warning letters to noncustodial parents who met the program criteria during this period and had not previously received a warning letter.
- Phase 2      If the noncustodial parent has not contacted DCS within thirty days of receiving the warning letter, DCS may serve a **Notice of Noncompliance and Intent to Suspend Licenses** by certified mail. The **Notice** explains the options available to the noncustodial parent. Within 20 days of service of the notice, the noncustodial parent may contact DCS to negotiate payments, request a hearing, or request modification of the child support order.
- Phase 3      Many noncustodial parents contact DCS after service of the **Notice** to negotiate payments. After 20 days, if the noncustodial parent has not contacted DCS, staff may issue the **License Suspension Certification**. The **Certification** is forwarded to the appropriate licensing agency and the Department of Fish and Wildlife is notified by file transfer protocol (FTP). A copy of the **Certification** is sent to the noncustodial parent.
- Phase 4      Upon receipt of DCS's **Certification**, each licensing agency sends its own notice to the noncustodial parent. The licensing agency letter informs the noncustodial parent that DCS certified the license for suspension, indicates what steps the noncustodial parent needs to take to get the license reinstated, and notes any applicable fees.
- Phase 5      Frequently, it is the letter from the licensing agency that prompts the noncustodial parent to contact DCS to negotiate license reinstatement.

The noncustodial parent can either pay the debt in full, or sign a **Payment Agreement – License Suspension**. As soon as the noncustodial parent pays the debt or negotiates repayment, DCS sends the **License Suspension Cancellation Notice** to the appropriate agency with FTP notice to the Department of Fish and Wildlife. For those noncustodial parents who need to have their license reinstated immediately, DCS will contact the licensing agency and obtain immediate reinstatement of the license.

## **Total Payments Attributable to License Suspension Activity**

DCS received over \$48.5 million in voluntary payments for this reporting year, October 2001 through September 2002. Table 1 below illustrates the number of cases receiving payments, the total of those payments, and the dollars collected per case for each of the various case types.

### TANF cases

Cases included in the numbers for the Temporary Assistance for Needy Families (TANF) program are those in which the entire debt is owed to the State of Washington. When a custodial parent receives TANF, the State of Washington is assigned the rights to the child support owed for the months in which the custodial parent receives assistance. From October 2001 through September 2002, the state collected and retained nearly \$6 million for TANF reimbursement because of license suspension activity. License suspension activities are also attributed to encouraging regular, continued payments of child support. The receipt of regular child support payments can assist families in their effort to leave public assistance.

### Nonassistance/Former TANF cases

The nonassistance/former TANF cases, with collections of over \$17 million, are of particular interest. At one time, these households received public assistance. Frequently these households rely on child support to fill the gap between earnings and expenses. Child support is a vital component of their family income and enhances their ability to remain off public assistance.

### Nonassistance cases

Nonassistance collections were over \$25 million for the reporting period. This is money sent directly to custodial parents. Even though these families have never received a cash assistance grant, there are some that have received food stamps and medical assistance. The receipt of regular child support payments is as vital to these families as it is to those who were formerly on assistance.

### Foster care cases

DCS received approximately \$110,000 on foster care cases, frequently the most difficult collection cases. Many of the children placed in foster care come from households relying on TANF.

**Table 1: Total Voluntary Payments Received After License Suspension Activity**

Case Type	# Cases with Payments from 10/01– 9/02	Total of Payments
TANF	21,926	\$5,841,032
Nonassistance	26,061	\$25,252,833
Nonassistance/ former TANF	28,965	\$17,256,888
Foster Care	1186	\$110,146
Total	78,138	\$48,460,899

It is important to emphasize that only voluntary payments are included in the totals. DCS excluded the following from the overall total collections on these cases:

- Payments received from payroll deductions;
- Orders to withhold and deliver;
- Unemployment compensation;
- Labor and Industries benefits;
- IRS refund intercepts.

### **Payments in Response to Warning Letter or Notice**

Although DCS is not required by law to send a Warning Letter, DCS decided to warn noncustodial parents on cases where DCS was considering license suspension; our goal is not to suspend licenses -- our goal is to negotiate child support payment agreements. In reviewing collection figures, we have ascertained that the **Warning Letter**, by itself, is an inexpensive and effective tool.

Table 2 below shows the collections generated in response to a **Warning Letter**. Since the license suspension program began in July 1997, DCS has mailed 158,311 **Warning Letters**. For this legislative report period, October 2001 through September 2002, DCS mailed 21,065 letters at a cost of approximately \$.41/letter for a total cost of \$8,636. During this same period, DCS received \$15,423,527 in voluntary payments from noncustodial parents who were mailed a **Warning Letter**, showing the warning letter to be an efficient way to generate collections on cases with collection challenges.



**Table 2: Voluntary Payments Received After a Warning Letter**

Case Type	# Cases with Payments from 10/01– 9/02	Total of Payments
TANF	5,017	\$1,566,185
Nonassistance	9,256	\$9,874,355
Nonassistance/ former TANF	6,343	\$3,907,959
Foster Care	688	\$75,028
Totals	18,177	\$15,423,527

DCS generated 29,081 **Notices of Noncompliance and Intent to Suspend Licenses** from October 2001 through September 2002. The approximate cost is \$5.80 per notice for a total of \$168,670. DCS must serve the **Notice** on the noncustodial parent by certified mail or process service before DCS can pursue suspension of a license. DCS served 15,411 **Notices** during this period. Service of the **Notice** is the most expensive and time-consuming step in the license suspension process. Table 3 below list payments received this year on cases in which the **Notice** was served during the last two years. Most of the collections generated by the license suspension program were in response to the **Notice**. Again, the numbers demonstrate that license suspension is a productive collection tool.

**Table 3: Voluntary Payments Received After a Suspension Notice**

Case Type	# Cases with Payments from 10/01– 9/02	Total of Payments
TANF	16,909	\$4,274,847
Nonassistance	16,805	\$15,378,478
Nonassistance/ former TANF	22,622	\$13,448,929
Foster Care	498	\$35,118
Totals	56,834	\$33,137,372

## **License Suspension Hearings**

The **Notice of Noncompliance and Intent to Suspend Licenses** advises noncustodial parents that they have 20 days in which to request an administrative hearing. If a noncustodial parent requests a hearing within 20 days, DCS stops all license suspension actions until after the hearing process is complete. A noncustodial parent may request a hearing after this 20-day period, but that request does not stay any license suspension action that may have

already occurred. Of the 15,411 **Notices** served on noncustodial parents during this report period, only 802 noncustodial parents requested a hearing. Because of continuous negotiation efforts by DCS staff, DCS is able to settle most of these issues before going to a hearing.

When staff receive a hearing request, they review the case to ensure that it meets statutory and program requirements. DCS sends the request to the Office of Administrative Hearings (OAH), where it receives a docket number and a hearing date. At the same time, DCS sends the noncustodial parent a letter explaining the license suspension hearing process. The letter informs the noncustodial parent that DCS would prefer to settle the case without a hearing, and offers a pre-hearing opportunity to review and settle the case.

If the noncustodial parent does not respond to the settlement letter, DCS contacts the noncustodial parent a second time before the hearing to attempt again to settle the case. This is the point at which most of these cases are settled.

As of November 26, 2002, DCS resolved 703 of the 802 hearing requests received during the reporting period (see Table 4).

Of the 802 cases, DCS resolved 319 of them by settlement before the hearing. 170 cases were resolved in the formal hearing process. DCS withdrew the **Notice** in 214 cases. DCS withdraws a **Notice** when the noncustodial parent pays the case in full, DCS charges off the debt because of a conference board decision, or the noncustodial parent receives some form of public assistance. Ninety-one cases resulted in default because the noncustodial parent failed to appear for the hearing. The hearing process is still ongoing in 99 cases.

At the completion of the hearing process, the administrative law judge (ALJ) issues a decision based on the facts presented. For cases during this reporting period, the noncustodial parent may appeal this decision to Superior Court.

**Table 4: Resolution of Hearings**

Resolved Cases	Number	Percent
Settlement/Order of Dismissal Entered	319	40
Withdrawal by DCS	214	27
Withdrawal by noncustodial parent	76	9
Default (failure to appear)	94	12
Hearing Pending	99	12
Totals	802	100.0

## **Successes and Related Information**

Department of Licensing's (DOL) license information is available to DCS staff through the Support Enforcement Management System (SEMS). SEMS interfaces with DOL on a quarterly basis. Staff can readily see if a noncustodial parent has a driver's license or professional license subject to suspension. Similar arrangements are in place with the Department of Labor and Industries (L&I) and the Department of Health (DOH). Staff can also go on-line to DOL's information base and check on the status of a driver's license in real time. During this reporting period DCS and DOL manually matched and corrected 5,300 records. The interface between DCS and DOL on driver's licenses is based on the driver's name and birth date. Most of the corrected records were for date of birth errors.

In order to streamline the license suspension process, DCS decentralized the certification and reinstatement process in December 1999. Before that date, staff had to request certification and reinstatement through the license suspension coordinator (LSC) in Olympia. Field staff would e-mail a request to the LSC to certify or reinstate a license. The LSC would review field staff requests to determine if staff were properly requesting license suspension. The LSC would then generate the forms, sign, and route them to the proper agency. This process was burdensome for field staff. DCS decided to decentralize and streamline the process. DCS trained the collection staff in all nine field offices during November and December of 1999 in the proper procedures to follow in certifying and reinstating licenses.

In August 2001, the License Suspension Program began interfacing with the Department of Fish and Wildlife's (F&W) WILD (Washington Interactive Licensing Database) licensing program. Before the introduction of WILD, the Department of Fish & Wildlife could not prevent point of sale license issuance for noncustodial parents with a suspended license. This meant that for the first three plus years of the license suspension program, we could not prevent a parent with a suspended license from obtaining a hunting or fishing license. DCS no longer sends paper suspension and reinstatement forms to F&W -- each night a file is transferred via FTP (File Transfer Protocol) to F&W and the information is loaded into the WILD licensing computer. This transfer allows overnight reinstatements and suspensions. Many parents have called to make payment arrangements specifically because they were prevented from obtaining a hunting or fishing license. DCS is exploring a similar FTP process with DOL. It is expected that our interface with DOL will also be paperless by the first quarter of 2003.

In the 2002 License Suspension program report, DCS reported that the Division had reinstated approximately 59% of the suspended licenses. Reinstatement occurs when the noncustodial parent negotiates a repayment agreement with DCS staff with the expectation that the parent will begin to make voluntary payments. Most noncustodial parents whose licenses DCS suspends are not

employed in the traditional job market and these individuals do not receive a paycheck. They are part of a group from which it is harder to collect. Establishing regular payments on 59% of these cases is a significant accomplishment. Table 5 below shows DCS license suspension activity for the last four legislative reporting periods. The volume of license suspension activity continues to increase. In addition, the high success rate continues as illustrated by the percentage of reinstatements.

**Table 5: License Suspension Activity Comparison**

Legislative Reporting Period	# Licenses Suspended	# Licenses Reinstated	% Reinstated
Oct 98 – Sept 99	1,192	548	46%
Oct 99 – Sept 00	4,394	2,083	47%
Oct 00 – Sept 01	10,573	5,062	48%
Oct 01– Sept 02	15,632	9,208	59%

DCS has seen a significant increase in the percentage of licenses reinstated during this current reporting period. This is attributed to the emphasis placed on and embraced by DCS staff to encourage parents to make regular payments. With those parents who are “dead broke” rather than “dead beat”, licenses were reinstated for parents who made a good faith effort to pay -- payment was accepted even if it was less than the ordered monthly amount. The goal is to get parents in the habit of making regular monthly child support payments and gradually increasing the amount of the payment as their circumstances improve. Although this may reduce the short-term collections by DCS, it results in parents who pay more child support over a longer period of time. Moreover, some families who had never received a payment received support for the first time.

The majority of licenses suspended by DCS are driver’s licenses, as the chart below illustrates. In December 1999, DCS began initiating license suspension actions against those noncustodial parents who already had a suspended driver’s license because of some other violation. This change ensures that a noncustodial parent would also recognize their need to resolve their child support delinquency. It also prevents noncustodial parents with suspended Washington State driver's licenses from obtaining a driver’s license in another state.

DCS has developed a productive working relationship with staff in the Mandatory License Suspension Unit at DOL. DOL staff are readily available to answer questions, take telephone calls, and provide immediate actions to allow DCS to meet the needs of its customers. DCS certifies for suspension approximately 1,275 of the 30,000 licenses DOL suspends each month. DCS appreciates the excellent customer service provided to DCS and to the public by DOL staff.

**Table 6: License Suspension Activity per Agency**

Agency	# licenses certified	# licenses reinstated
Department of Licensing Driver's Licenses	15,301	8,984
Department of Licensing Bus. And Prof.	166	117
Department of Health	112	71
Department of Labor and Industries	42	29
Department of Social and Health Services	3	0
Office of the Insurance Commissioner	1	0
Liquor Control Board	1	1
Department of Financial Institutions	1	0
Department of Ecology	1	1
Washington State Bar Association	4	5
Totals	15,632	9,208

Table 6 above illustrates the suspension and reinstatement rate for most licenses during the current reporting period.

## **On the Horizon**

The planned electronic interface with DOL will speed the suspension, and more importantly, the reinstatement of driver's licenses. This will improve our customer service and reduce the costs of the program.

Over the last five years the license suspension program has matured and become a vital part of the collection resources of the Division of Child Support. The maturing process was most evident in comparing the statistics of the last legislative reporting period with this one. This year DCS collected child support on almost 15,000 more cases than last year as a result of license suspension activities.

Table 7 below shows statistics since the program began in 1997.

**Table 7: Five Years of License Suspension Statistics**

Legislative Reporting Period	# Licenses Suspended	# Licenses Reinstated	% Reinstated	Total Collected
Jul 97 – Sept 98	418	88	21%	16,574,479
Oct 98 – Sept 99	1,192	548	46%	19,489,783
Oct 99 – Sept 00	4,394	2,083	47%	31,346,285
Oct 00 – Sept 01	10,573	5,062	48%	50,580,769
Oct 01– Sept 02	15,632	9,208	59%	48,460,899
Totals	32,209	16,989	53%	166,452,215

License suspension was first used as a collection tool with self-employed noncustodial parents with large child support orders and visible but previously untouchable resources. Although these parents continue to pay under the onus of reinstituting license suspension, their payments are no longer counted as attributable to license suspension. DCS only counts voluntary payments that are the result of a license suspension action in the year the action was taken. DCS is now using license suspension with noncustodial parents who have small orders and fewer resources to make substantial payments. This accounts for the increase in paying cases, but a decrease in total collections due to license suspension. DCS has an ongoing goal to raise the number of paying cases in our caseloads. In order to achieve this, DCS must obtain payments even on the most difficult collection cases; these can include noncustodial parents with little employment history. With license suspension, DCS was able to obtain payments on the most difficult cases. While the payments on those cases are not large, (accounting for the \$2 million decrease) DCS was finally able to reach these cases and send payments to families and recover state expenditures for the first time in a number of instances.

The biggest challenge with license suspension is the requirement to serve the noncustodial parent with the **Notice of Noncompliance and Intent to Suspend Licenses**. DCS generated 29,081 **Notices** during this reporting period. We were only able to serve the **Notice** on 15,411 parents. Most of these noncustodial parents actively avoid service of the **Notice**. License suspension was a new program in 1997 and this consequence of not supporting their children was unknown to parents. All child support orders now contain language that explains how DCS can take license suspension action, without further notice, on parents who owe more than six months of support. Dropping the requirement that DCS serve a second notice on a noncustodial parent would reduce costs and increase the effectiveness of the program.

DCS resolves to continue to make program improvements and remains committed to the principle of not wanting to suspend anyone's license as an end in itself. License suspension is only a sometimes necessary tool to allow DCS to negotiate payments and to encourage noncustodial parents to work with DCS to get fair and reasonable child support orders.